

**BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY**

Meeting Date: June 15, 2005

Division: Management Services

Bulk Item: Yes ☐ No ☒

Department: Administrative Services - Benefits

Staff Contact Person : Sheila A. Barker

AGENDA ITEM WORDING: Discussion of Health Cap proposal and presentation by Interisk, consultant for our Group Benefits Plan.

ITEM BACKGROUND: At the May, 2005 BOCC meeting, Michael J. Conway and Jeff A. Reagan gave a presentation to the Board regarding their Health Cap program. Board directed staff to prepare RFP and present further research on the program. Attached find initial review of our Benefits Consultant.

PREVIOUS RELEVANT BOCC ACTION: None

CONTRACT/AGREEMENT CHANGES: None

STAFF RECOMMENDATIONS: Not Applicable

TOTAL COST: Not Applicable

BUDGETED: Yes ☐ No ☐

COST TO COUNTY: _____

SOURCE OF FUNDS: _____

REVENUE PRODUCING: Yes ☐ No ☐ **AMOUNT PER MONTH** _____ **Year** _____

APPROVED BY: County Atty _____ OMB/Purchasing _____ Risk Management _____

DIVISION DIRECTOR APPROVAL:



Sheila A. Barker

DOCUMENTATION: Included ☒ Not Required ☐

DISPOSITION: _____

AGENDA ITEM # _____



BOARD OF COUNTY COMMISSIONERS

Mayor Dixie M. Spehar, District 1
Mayor Pro Tem Charles "Sonny" McCoy, District 3
George Neugent, District 2
David P. Rice, District 4
Murray E. Nelson, District 5

Management Services
1100 Simonton Street
Key West, FL 33040



May 31, 2005

Michael J Conway
9701 SW 63 CT
Miami, FL 33156

Jeff A. Reagan
Keys Insurance Agency, Inc.
805 Peacock Plaza
Key West, FL, 33040

Gentlemen:

We have had our Insurance Consultant review your proposal and he has addressed a number of issues that require answers. I am attaching his letter of May 25, 2005, listing those items. Please respond to those questions by Friday, June 10th so I will have time to furnish your response to the Commissioners.

Also, could you please advise how you arrived at the Employer's contribution as outlined in your Savings Estimate & Savings Roadmap documents. Our department rate is \$790 per month per employee and you are using a figure of \$848.06. Is the difference the employer's contribution to your plan?

Sincerely,

A handwritten signature in cursive script that reads 'Sheila A. Barker'.

Sheila A. Barker

C: Thomas J. Willi
Lawton Swan

Memorandum

To: Sheila Barker / Monroe County, Florida
From: Lawton Swan / Interisk Corporation
CC:
Date: May 25, 2005
Re: Health Cap Program

The Health Cap Program proposed by Benefits Cost Consultants has been reviewed and the following comments are based on our review of the documents provided.

The program is offered through an organization known as Benefits Cost Consultants, Inc. shown with a Miami, Florida telephone number. We located a corporate filing under that name listed with the Florida Division of Corporations and the Florida Department of Financial Services. A search for an insurance license listed in the name of Michael J. Conway reveals that he is currently licensed in the State of Florida for the sale of life and health insurance.

The address listed in the sample Health Cap Plan Agreement for Services is: Benefits Cost Consultants, Inc. Service Center, P. O. Box 568, Yankton, SD 57078. We have not located any information confirming the status of that organization with the State of South Dakota.

The program has some similarity to a Health Reimbursement Account or a Health Savings Account but does not require increased deductibles and requires the use of a Section 125 Cafeteria Plan linked to a required new Health and Accident Medical Reimbursement Plan (referred to as the new Health Cap Plan). It makes use of a bank issued (employer guaranteed) individual debit card for employees to pay for benefits included in the new plan.

The program essentially is an accounting transaction and works on the amount of tax reduction on the amount of employee copays, deductibles, coinsurance amount and other medical related costs including over-the-counter drugs as well as some additional medical related services. It makes individual employees responsible for paying benefits from a bank account funded by employer and employee tax sheltered contributions. The expectation is that the benefits can be greater by the amount of tax shelter. Several sample calculations were included in the proposal. The bank account is monitored and administered by the employer. The employer through future payroll deductions collects errors or abuses by employees from improper use of the debit card.

The Service Agreement requires the employer to bear the setup cost including attorney, actuary, accounting and other services. No estimate of these costs was included in the Benefits Cost Consultant's proposal. Additional services required are: bank account administration; IRS filing requirements; internal and external auditing costs, staff involvement in creating, administering and monitoring the combination of plans. This includes expected increase in customer service activity to explain the plans, assist with enrollment and answer questions about the proportioning of medical benefits both to employees and providers. Initially this activity could be significant and require responding to employee and provider complaints. The new privacy requirements of the HIPAA Law must be followed.

Additional cost is expected from customer service involvement in explaining the effects and operations of the new plan and the function of the debit card.

Fees are to be paid to Benefit Cost Consultants, Inc. for services for the Health Cap Program. The amounts shown in the proposal are: \$20.00 per employee for a one-time setup and a monthly administrative fee of \$20.00 per employee. Based upon the current enrollment, the amount will be approaching \$400,000 annually. The one-time setup fee equates to \$32,000 based on 1600 employees.

The County's current self-insured plan should be reviewed with actuaries to determine the financial effect and funding level prior to beginning a Health Cap type plan.

The following are open questions and items that should be resolved prior to the decision to create a Health Cap type program.

1. Additional information about Benefits Cost Consultants, Inc. and Benefits Cost Consultants, Inc. Service Center should be provided. How long have they been in business? How many employees do they have? How many of these type programs have they installed in Florida? How many Florida governmental bodies have installed this type program? Will they provide references and contact names and telephone numbers?
2. The same questions apply separately to Benefit Cost Consultants, Inc. Service Center in South Dakota. They should provide evidence of incorporation and current status of licensing in South Dakota as well as responses to all of the other questions above.
3. Financial information about both Benefits Cost Consultants should be provided. They will be the fiduciaries for a considerable amount of the County and employee's money. They should provide the most recent income statement and balance sheets and evidence that they have sufficient fiduciary liability insurance to protect against loss from mishandling or misuse of client monies.
4. Details and cost of the banking arrangement should be provided. Which bank will be used? What are the bank requirements for opening such accounts? What minimum balances must be maintained? Does the employer have to guarantee payments if employees misuse or misapply the funds? Is there a cost to the County for opening and monitoring the accounts? How are employee terminations handled so that further use of the debit cards cannot be made? Who is responsible for notification to the bank in the event of employee terminations? What are the specific responsibilities of the bank? What are the specific responsibilities of the County? How much information is the County entitled to on an individual employee's account (debit card)? Are there any interest charges and how will they apply?
5. The expected cost for attorneys, actuaries, consultants and others needed to assist in creation of the new plan should be developed and the cost added to the Benefits Cost Consultants, Inc. fee structure to properly evaluate the overall cost to the County. The expected annual cost savings may need to be in excess of \$500,000 - \$700,000 or higher to provide any significant results to the County and its employees.
6. What is the claim monitoring process under the proposed Health Cap Plan? No specific claim monitoring flow chart was included in the proposal. Benefits Cost Consultants, Inc. Service Center should develop a flow chart showing their process for monitoring use of the Health Cap Plan. The schedule attached to the proposal only lists seven items and refers to monitoring as the responsibility of the Service Center.
7. Sample management reports will help to evaluate the type and amount of information available to the County. Benefits Cost Consultants indicates that they will provide this information.
8. Further information about both Benefits Cost Consultants, Inc. and the Service Center will be helpful in evaluating the experience and depth of their staff. Current staffing levels in both

offices and resumes of key personnel along with an organization chart and a description of what their services are will assist in determining the value of their fee structure. It is also worthwhile to determine if they have experienced staff members who can answer questions from the County and the bank as well as individual employee members.

We are continuing to review the information and develop further information about Benefits Cost Consultants, Inc. and their Service Center and will provide that upon receipt. We will be glad to assist you in developing specific cost for the items mentioned above and can assist in negotiations with Benefits Cost Consultants, Inc.